

FINANCES

Funding

One of the main responsibilities of the library board is to obtain adequate funding for the library. In a time of rising costs, coupled with an increased demand for information, the library trustee is challenged to provide adequate funding to meet the informational needs of the local community.

Because libraries must compete with a wide range of other public services for their existence, it is essential that every trustee be informed about the financial needs of the library and committed to work toward increased support where necessary. The trustee must face financial problems realistically and remain constant to the goal of providing quality library services.

The library director and the library board share the responsibility for identifying the library needs of the community and seeking adequate funds.

Public officials and citizens entrusted with governing a public library should have clear understanding of the library's role in the community and should work diligently to ensure that the library receives the financial support necessary to carry out its goals and objectives. Informed, active, and responsible leadership is critical to the successful operation of a library. (Planning for Library Excellence, 1988)

Library boards should have:

- A thorough knowledge of the various allocating authorities responsible for library funds.
- An awareness of supplementary sources of revenue, including state and federal grant programs, endowments, bequests, and private gifts.
- A clear understanding of the current financial needs of the library.
- A strategic plan for obtaining funds needed to carry out the long-range goals and objectives of the library.
- An understanding of the legal regulations and accountability required for library funding.
- A willingness to support actively requests for increased funding on the local, state, and national levels.

Funding Sources

Public libraries receive funding from a variety of sources: local taxation, grants, gifts, bequests and donations, fund-raising projects, fines and fees, and investments. Library boards must consider it a primary responsibility to keep informed about all sources of funding.

Local Government Support

In most public libraries in Virginia, funds to operate the library are derived from allocations made by the county, city, or town government under which the library is established. When additional funds are needed, the board must be prepared to justify to local authorities and to the general public the need for such expenditure.

State Aid

Sections **§42.1-46** through **§42.1-58** of the *Code of Virginia* authorize the awarding of grants to provide for the development of library service and to assist libraries in improving standards of service.

The formula for state aid provides for the allocation of grants based on the following factors, effective July 1, 1992:

- Forty cents of state aid for every dollar expended, or to be expended, exclusive of state and federal aid, by the political subdivision or subdivisions operating or participating in the library or system. The grant to any county or city shall not exceed \$250,000;
- A per capita grant based on the population of the area served and the number of participating counties or cities: Thirty cents per capita for the first 600,000 persons to a library or system serving one city or county, and an additional ten cents per capita for the first 600,000 persons for each additional city or county served. Libraries or systems serving a population in excess of 600,000 shall receive ten cents per capita for the excess; and
- A grant of ten dollars per square mile of area served to every library or library system, and an additional grant of twenty dollars per square mile of area served to every library system serving more than one city or county.

State aid may be used for library materials, equipment, and furniture. Up to 25 percent of the grant may be used for salaries of full-time certified librarians. Libraries serving populations of 5,000 and above, and operating without a full-time certified librarian, receive a 25 percent reduction in their state aid grant.

Library boards should be thoroughly familiar with The Library Board's *Requirements Which Must Be Met In Order to Receive Grants-In-Aid* (17 VAC 15-110-10), or the *Requirements Which Must Be Met By Libraries Serving a Population of Less Than 5,000 In Order to Receive State Grants-In-Aid* (17 VAC 15-90-10). (See Appendices)

Federal Funds

From the 1960s until 1996, the Library Services and Construction Act (P.L. 101-254) provided funds to assist states in the extension and improvement of public library services. In 1996, Congress approved the Library Services and Technology Act (P.L. 104-208) “to stimulate excellence and promote access to learning and information resources in all types of libraries for individuals of all ages; to promote library services that provide all users access to information through state, regional, national, and international electronic networks; to provide linkages among and between libraries and to promote targeted library services to people of diverse geographic, cultural, and socioeconomic backgrounds, to individuals with disabilities, and to people with limited functional literacy or information skills.”

Miscellaneous Sources of Funding

- **Gifts and donations:** policies should be adopted on the acceptance and handling of these funds.
- **Endowments/foundations/trusts:** a library’s own endowment, foundation, or trust fund can be established, with the interest used to supplement the tax-based budget or to finance a special project.
- **Fines and fees:** local policy determines the availability and use of fines and fees.
- **Fund-raising projects:** a Friends of the Library organization can be beneficial to the library in undertaking fund-raising events for special projects and programs.
- **Grants:** corporations and foundations are frequently good sources for additional funds. Directories are available that identify local, state, and national sources. These grants are highly competitive and success may depend on the library’s ability to prepare a well-written grant proposal.

Budgeting

A budget is a plan for the expenditure of funds for the next year to carry out the library’s program. The amount of funds available will necessarily dictate the extent to which the library can contribute to its mission. It is imperative that the board of trustees knows what it wants the library to accomplish in the coming year.

Budget Preparation

The preparation of the budget is a cooperative process involving the trustees, the library director, the library staff, and the community. The library director is responsible for the preparation of the budget request; the governing board of trustees is responsible for final approval and adoption of the budget.

The budget is directly related to the library’s planning and the political funding process. Both short-term and long-term parameters will guide the budget building. A budget that merely repeats previous budgets is clearly indicative of lack of planning and is a disservice to the library’s clientele. Good service and good planning will result in an innovative progressive budget. Ample time should be allowed for the development of the budget and for consideration by the local funding authorities. Generally, it takes from six to nine months.

STEPS IN BUDGET PREPARATION

	Activity	Persons Responsible ³
1.	Develop a budget calendar with key dates for completion, definition of tasks, and assignment of responsibility.	Library Director
2.	Review the library's long-range plan, goals, objectives, community needs, economic conditions, and trends.	Board and Library Director
3.	Evaluate programs and services to determine needed changes and the prior year's actual costs.	Board and Library Director
4.	Discuss preliminary budget limits with local government(s).	Library Director
5.	Make a preliminary decision on library priorities.	Board
6.	Develop a draft budget, including contingency plans so that budget changes can be planned in a non-crisis environment. Justify budget with workload data, trend charts, etc. Balance all figures and show ALL anticipated revenues and expenditures.	Library Director
7.	Approve or amend the draft budget.	Board
8.	Submit the budget to local government officials for review and analysis and respond to questions raised.	Board
9.	Support the budget with the appropriate authorities.	Board and Library Director

³ These roles and responsibilities are primarily for governing boards. Advisory boards' roles and responsibilities may be different.

Presenting the Budget

Trustees play a key role in securing funds for the library. They must be thoroughly prepared to participate in presenting the budget: to explain, to justify, and to negotiate. The library must be prepared and defended as a basic community and information agency.

The chances for success in securing adequate funding are enhanced if the library has maintained good communications with the local funding authorities throughout the year. It is important that the local officials know how the funds are used and what the library needs.

- Invite officials to special programs, receptions, and library activities.
- Offer personalized library reference service and assistance to local government officials and departments.
- Be sure letters of appreciation, awards, and staff accomplishments are well publicized.
- Enlist the support of the Friends of the Library and the community to promote the library budget.

Implementing the Budget

Once the trustees have set their priorities and obtained funding, the library director and staff have the responsibility of implementing the budget.

Trustees must continue to fulfill their fiscal responsibilities, but their role now shifts to maintaining an awareness of budget implementation and adherence to the budget plan. Trustees should not be involved in the day-to-day financial operations of the library, however.

Specific procedures and responsibilities should be outlined in the local policy and procedures manuals so that all trustees and staff understand the lines of authority. The tasks, authority, and duties for library spending must be clearly delegated to the bookkeeper, director, or other staff. Trustees may be asked to contribute specific expertise in fiscal management, but their major role is planning, budgeting, and securing funds.

The library director is responsible for keeping the trustees informed of budget implementation. Trustees should:

Review regularly scheduled financial reports:

- Current expenditures
- Year-to-date figures
- Total budget
- Balance of budget
- Explanation of major changes

An annual report of expenditures must be filed with each local funding agency and with the Library Development and Networking Division of the Library of Virginia.

Monitor fiscal operations of the library to assure:

- Financial records are complete and accurate.
- Resources are managed in an economical and efficient manner.
- System of internal controls exists to safeguard the assets.
- Accounting methods are accurate.

SUMMARY OF FINANCIAL RESPONSIBILITIES

Board of Trustees⁴

Keeps informed of the financial status, funding sources, and needs of the library.

Scrutinizes preliminary budget request submitted by library director; makes recommendations and officially adopts a budget.

Reviews expenditures in accordance with the budget, amending budget if needed.

Library Director

Maintains complete and accurate records of finances, inventory and annual reports; includes information with reports to the board.

Prepares any local, state, or federal budgets based on present and anticipated needs, considering board's plan for library growth.

Decides on the use of money and disburses funds based on approved budget and the Virginia Public Procurement Act.

Joint Responsibilities

Attend budget hearings of funding agencies to answer questions about library growth and administration and to supply facts and figures to defend budget requests.

Explore all methods of increasing the library's income through new sources and cooperation with other libraries or agencies.

Submit an annual report of activities, income, and expenditures to be filed with each funding body or agency and with the Library Development and Networking Division of the Library of Virginia.

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